

**BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

DOCKET NO. 2013-201-WS

In the Matter of:

**Application of Utilities Services of South)
Carolina, Inc. for Adjustment of Rates and)
Charges and Modifications to Certain Terms)
and Conditions for the Provision of Water)
and Sewer Service)
_____)**

**PREFILED
DIRECT TESTIMONY
OF
RICHARD J. DURHAM**

Q. Please state your name, present position and business address.

A. My name is Richard J. Durham. I am the Regional Vice President of Operations for Utilities, Inc. ("UI") and its subsidiaries, including Utilities Services of South Carolina, Inc. ("USSC"). My business address is 200 Weathersfield Avenue, Altamonte Springs, Florida 32714.

Q. What are your duties in your current position?

A. In my current position, I am responsible for directing the safe, efficient and economical operation of the Southeast, South and West Regions assets. My duties and responsibilities include the following:

- Lead operations team to be in compliance with all applicable local, state and federal regulations;
- Economic performance of operating subsidiaries within the West, South and Southeast Regions;
- Maintain assets in good operating condition;
- Developing capital plan to meet customer growth and adherence to that plan;
- Margin review analysis to ensure efficient operations;
- Stewardship of legal issues and cases;
- Foster and ensure safe work environment;
- New business development;
- Manage relationship with the community;
- Manage and provide leadership for staff;
- Provide information to national headquarters and manage management's expectations;
- and

- 1 • Stay abreast of local environment and upcoming regulations.

2 Most recently, I have been tasked to focus my attention and energy on matters
3 affecting Utilities, Inc.'s water and wastewater systems in South Carolina including USSC.

4 **Q. What is your educational and professional background?**

5 A. I have over thirty years of experience in the utility industry. Twelve years of my
6 career have been devoted to the regulatory field and approximately twenty years working in
7 the private sector in utility management and operations. As a regulator, I worked for the
8 North Carolina Division of Environmental Health ("DEH"). I was the former State
9 Drinking Water Administrator, Section Chief of the Public Water Supply Section of DEH,
10 responsible for the implementation and enforcement of both the state and federal drinking
11 water regulations in North Carolina. I also worked for six years as a Utilities Engineer with
12 the North Carolina Utilities Commission's Public Staff representing the using and
13 consuming public in water, wastewater and electric proceedings before the Commission. I
14 have a Bachelor's Degree in Civil Engineering from North Carolina State University and I
15 am registered in North Carolina as a Professional Engineer. I am currently the Regional
16 Vice President of Operations for UI's Southeast, South and West Regions consisting of six
17 states and I have been with the Company for approximately seven years.

18 **Q. What is the purpose of your testimony in this Docket?**

19 A. The purpose of my testimony is to support the Settlement Agreement between the
20 Office of Regulatory Staff ("ORS") and USSC dated November 1, 2013 attached as Exhibit
21 RJD-1 to my testimony.

22 **Q. Please describe the Settlement Agreement between the ORS and USSC.**

1 A. The parties have agreed to a settlement which generates \$841,000 in additional
2 operating revenues for USSC. USSC has accepted a 9.23% authorized return on equity, a
3 7.84% return on rate base, and a 12.48% operating margin in this settlement.

4 **Q. Do you believe the settlement is fair and reasonable to all of the parties and to USSC**
5 **and USSC's customers?**

6 A. Yes. The ORS has conducted a thorough audit of USSC's Application in this
7 Docket and its adjustments reduced USSC's request for additional revenue by \$607,746 or
8 41.95%. While USSC does not agree with all of the ORS's accounting adjustments, USSC
9 believes that the proposed rates and agreed upon revenue represent a fair compromise of the
10 parties' positions.

11 **Q. How does the settlement affect USSC's overall financial performance and health?**

12 A. While the settlement is a compromise of firmly held positions, it will reduce
13 regulatory costs going forward and give USSC a better opportunity to earn its authorized
14 return and generate additional investment in its water and wastewater systems in South
15 Carolina. I would also ask the Commission to bear in mind that due to continued capital
16 investment and annual operating cost increases, USSC will undoubtedly not earn the
17 authorized ROE of 9.23% and would expect to actually earn less as it continues to operate
18 and maintain its systems.

19 **Q. What are some of the benefits of settling the matter?**

20 A. Settlement has the benefit of providing the utility and its customers with certainty.
21 Moreover, rate case expenses in a fully litigated docket can prove to be a substantial cost
22 which the utility must pass on to its customers. Settlement mitigates these costs and result
23 in a savings to both the utility and its customers.

1 **Q. What rates result from the parties' settlement?**

2 A. The parties have agreed to a flat rate of \$53.55 per month for residential sewer
3 service, an increase of \$12.12 over the existing rate. The parties further agreed upon an
4 increase in rates for water service and the Company will charge its typical residential water
5 customers (the most common residential meter size) a base facility charge of \$19.75 per
6 month and commodity charge of \$7.02 per 1,000 gallons. Based on average system usage
7 of 4,518 gallons per month, the average water bill of \$51.46 represents an increase of \$10.53
8 per month. The schedule of rates agreed upon by the parties can be found at
9 Settlement Agreement Exhibit 1 and representative rates are summarized in the chart below:

<u>Service</u>	<u>Current Rate</u>		<u>Application Rate</u>		<u>Settlement Rate</u>	
<u>Water</u>	<u>Usage</u>	<u>Base</u>	<u>Usage</u>	<u>Base</u>	<u>Usage</u>	<u>Base</u>
Residential Water Service	5.40	16.53	7.91	24.24	7.02	19.75
Water Distribution and Purchased Water Charge	2.91	16.53	4.26	24.24	3.75	19.75
<u>Wastewater</u>	<u>Current Rate</u>		<u>Application Rate</u>		<u>Settlement Rate</u>	
Residential Wastewater Treatment		41.39		65.31		53.55
<i>Usage rates per 1,000 gallons</i>						

11
12 **Q. Please respond to the customers who testified against USSC's requested rate increase.**

13 A. The customers who spoke at the public hearings were opposed to increased water or
14 sewer rates. We understand that applications for rate increases are never popular. We do
15 not like them either. They are difficult, contentious, and time consuming for everyone
16 involved. Unfortunately, rate increases are also necessary if USSC is to continue to provide
17 adequate and reliable service to its customers. One point that should be kept in mind is that

1 USSC's current rates were put in effect under bond in May of 2008. The difference between
2 the typical residential water customer's bill of \$40.93 under the rates put in effect in 2008
3 and the average bill of \$51.46 under the proposed rates, represents an annualized increase of
4 around 4.7 % per year over five and a half years. The residential sewer rate would have
5 increased around 5.3 % per year over the same period. Also, it should be kept in mind that
6 the present rates are based on a test year which ended December 31, 2006. See Order 2013-
7 77, Docket No. 2007-286-WS. USSC cannot continue to operate based on seven year old
8 revenue requirements.

9 **Q. Can you speak to the comparisons that customers made between USSC's rates and**
10 **those charged by other service providers?**

11 A. Many of the customers who testified at the public hearing in Union compared
12 USSC's sewerage rates to those charged by municipalities or other public entities, such as
13 the West Anderson Water District (Dennis Hinnman, Larry McAllister, James Deaton and
14 Jeff Snider), the Hammond Water District (Melanie Wilson, Otto Haugland, Pauline Walsh
15 and Ken Chee) and Sandy Springs Water District (Charles Royster). These districts are
16 member agencies of the Anderson Regional Joint Water System. One witness testifying at
17 the York County hearing compared USSC's rates to those charged by the City of Rock Hill
18 (Clyde Anderson). While frequently made, such generalized comparisons between investor
19 owner public utilities and governmental entities are simply not meaningful for ratemaking
20 purposes. Public entities do not pay taxes. They may also have a multitude of income
21 sources, such as tax revenues, or public financing, to operate and subsidize their utility rates.
22 Significantly, municipalities are also free to subsidize one customer class, such as in-town
23 customers, at the expense of another, such as out-of town customers, and there is no
24 independent regulatory oversight over their rate making process. There is no way to make a

1 reasoned comparison of their rates to those of an investor owned utility such as USSC,
2 whose customers are actually billed on the basis of the investments made and the expenses
3 incurred by the provider.

4 **Q. Does the settlement resolve the ORS and the Company's differences regarding the**
5 **need for approval of agreements for the purchase of supplemental bulk water?**

6 Yes. USSC will submit the agreements to the Commission for approval. With the
7 exception of the agreement for the purchase of water for the Townsend Acres subdivision,
8 all of these agreements were for the purchase of supplemental water. USSC was operating
9 under the belief that agreements for the purchase of supplemental water did not require
10 approval. It will also submit all agreements for approval.

11 **Q. Does the settlement resolve the ORS's allegation that USSC has failed to report DHEC**
12 **violations as required by Commission rule?**

13 While the Company believes that the applicable regulations, 103-514C and 103-
14 714C only require the reporting of a violation "which results in the issuance of a DHEC
15 order" a list of all NOV's issued to and Consent Orders entered into by USSC since 2008 is
16 attached as Exhibit RJD 2 to my testimony. Many of the NOV's did not require a response,
17 or when a response was submitted, no further action was taken.

18 **Q. Does the Settlement Agreement resolve the dispute between USSC and the ORS**
19 **regarding charges for unaccounted for water in excess of ten (10%) percent to its bulk**
20 **water customers?**

21 Yes. In the Settlement Agreement, the Company agrees to maintain the current
22 provision in its tariff which caps the amount of non-account water which USSC is allowed
23 to pass-through to its customers who are supplied water through a third party bulk provider
24 at ten percent. USSC had implemented an adjustment mechanism to reconcile differences in

1 the timing of the bills received by the company from bulk water providers and those sent by
2 the company to its customers. See Lubertozi Rebuttal Exhibit SML-1. USSC will cease to
3 implement this mechanism going forward.

4 **Q. Do you have a recommendation to the Commission in this Docket?**

5 A. Yes. I would respectfully submit that the Settlement Agreement between the ORS
6 and United in this Docket is fair and reasonable and in the public interest and would urge the
7 Commission to approve the Settlement Agreement.

8 **Q. Does this conclude your testimony?**

9 A. Yes. I thank the Commission for hearing us out this morning.

10

EXHIBIT RJD 1
SETTLEMENT AGREEMENT

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2013-201-WS
October 31, 2013

IN RE: Application of Utilities Services of)
 South Carolina, Inc. For Adjustment of) **SETTLEMENT AGREEMENT**
 Rates and Charges and Modifications of)
 Certain Terms and Conditions for the)
 Provision of Water and Sewer Service)

This Settlement Agreement is made by and between Utilities Services of South Carolina, Inc. (“USSC” or the “Company”) and the South Carolina Office of Regulatory Staff (“ORS”), whom may collectively be referred to as the “Parties” or sometimes individually as a “Party”.

WHEREAS, on June 28, 2013, USSC filed an Application for the Adjustment of Rates and Charges (the “Application”) requesting that the Commission approve the revised rates, charges, conditions, and terms of service in certain areas of Abbeville, Anderson, Lexington, Richland, Saluda, Sumter, and York Counties;

WHEREAS, the above-captioned proceeding has been established by the Public Service Commission of South Carolina (the “Commission”) pursuant to the procedure established in S.C. Code Ann. § 58-5-240 (Supp. 2012) and 10 S.C. Code Ann. Regs. 103-512.4.B and 103-712.4.B;

WHEREAS, the Company provides sewer service to approximately 354 residential and commercial sewer customers and water supply/distribution service to approximately 6,361 residential and commercial water customers;

WHEREAS, ORS has examined the books and records of the Company relative to the issues raised in the Application and has conducted financial, business, and site inspections of USSC and its wastewater collection and treatment facilities; and

WHEREAS, the Parties have engaged in discussions to determine whether a settlement in this proceeding would be in the best interests of the Company and in the public interest;

NOW, THEREFORE, the Parties hereby stipulate and agree to the following terms, which, if adopted by the Arbitrator in his Report and the Commission in its Order addressing the merits of this proceeding, will result in rates and charges for sewer and water service which are adequate, just, reasonable, nondiscriminatory, and supported by the evidence of record of this proceeding, and which will allow the Company the opportunity to earn a reasonable operating margin.

1. The Parties stipulate and agree to the rate schedule attached hereto and incorporated herein by reference as Settlement Agreement Exhibit 1. As reflected therein, the Parties have agreed to a flat rate of \$53.55 per month for residential sewer service, a minimum flat rate of \$53.55 per month for each single-family equivalent (“SFE”) for commercial service, and a flat rate of \$34.44 per month for each SFE for sewer collection only service for both residential and commercial customers. The Parties further agree that there shall be an increase in rates for water service and that the Company will charge its residential water customers a base facility charge of \$19.75 per month, and a commodity charge of \$7.02 per 1,000 gallons for customers being served with water from a well source and \$3.75 per 1,000 gallons for distribution only customers. Commercial customers with a 1” meter or greater will be charged a higher base facility charge for water service.

2. The Parties agree that the above stated rates are fair, just, and reasonable to customers of the Company's system while also providing the opportunity to earn a fair operating margin at an agreed upon 9.23% Return on Equity Rate which produces additional revenue of \$841,000. The Parties stipulate that the resultant operating margin is 12.48%.

3. USSC agrees to maintain its books and records in accordance with the National Association of Regulatory Utility Commissioners Uniform System of Accounts as required by the Commission's rules and regulations. USSC further agrees to consult with the ORS regarding the manner in which it records its operating expenses, its assets and their disposition including retirements. USSC further agrees to consult with ORS regarding the manner in which it identifies invoices to be used for ratemaking purposes.

4. The Company agrees to file all necessary documents, bonds, reports and other instruments as required by applicable South Carolina statutes and regulations for the operation of a water and sewer system.

5. The Company agrees that this system is a "public utility" subject to the jurisdiction of the Commission as provided in S.C. Code Ann. § 58-5-10(4) (Supp. 2012). The Company agrees to maintain its current Irrevocable Letter of Credit ("ILC") in amount of Three Hundred Fifty Thousand Dollars (\$350,000) for water service and to increase the amount of its ILC from the current One Hundred Fifty Thousand Dollars (\$150,000) to Two Hundred and Twenty Thousand Dollars (\$220,000) for wastewater operations to satisfy the requirements of S.C. Code Ann. §58-5-720 (Supp. 2012).

6. The Company agrees to maintain the current provision in its tariff which caps the amount of non-account water which USSC is allowed to pass-through to its customers who are supplied water through a third party bulk provider at ten percent. USSC will continue to provide

notice to the Commission and USSC customers of any increase in bulk water charges prior to billing its customers for such increase. The Company further agrees to obtain Commission approval of the bulk water supply contracts which it has entered for Towncreek Acres, Indian Cove, Charleswood, and Farrowood subdivisions.

7. The Parties agree that the Company should be permitted to amend its tariff to provide for the collection of disconnection charges in certain circumstances and for the recovery of the Company's actual costs, up to a maximum of \$250, for costs incurred to repair water or sewer facilities damaged due to tampering.

8. The Company agrees to provide the additional terms and conditions to its tariff to be filed with the Commission:

A. Late Payment Charges

Any balance unpaid within twenty-five (25) days of the billing date shall be assessed a late payment charge of one and one-half percent (1½%) for each month, or any part of a month, that said payment is late.

B. Electronic Billing and Electronic Payment

If requested by the customer in writing and within the capabilities of the utility, the Utility may provide an electronic bill to the customer on the Utility's website, in lieu of mailing a paper copy. The electronic bill shall contain the same content and be presented in the same or a similar format as a bill delivered to the customer pursuant to Commission Rule R. 103-532.1 (and 103-732.2) as may be amended from time to time. Late payment charges will not be triggered until twenty-five (25) days after the Utility issues the electronic bill and it leaves the control of the Utility or its billing agent. The Utility must provide notice to the customer that the bill form is available for review within twenty four hours of its issuance and the web address of its location.

C. Construction Standards

The Utility requires all construction to be performed in accordance with generally accepted engineering standards, at a minimum. The Utility from time to time may require that more stringent construction standards be followed.

9. The Leak Mitigation Program presented in the Company's Application is removed from consideration in this case.

10. The Parties agree to cooperate in good faith with one another in recommending to the Arbitrator and the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission Order issued approving this Settlement Agreement and the terms and conditions contained herein.

11. The Parties agree to stipulate into the record the pre-filed direct testimonies and exhibits of Steven Lubertozzi, Karen Sasic, Patrick Flynn, Dylan D'Ascendis, and Pauline Ahern on behalf of USSC, as well as the pre-filed direct testimony and Audit Exhibits ICG-1 through ICG-8 of ORS witness Ivana C. Gearheart, the pre-filed direct testimony and Exhibits WJM-1 through WJM-6 of ORS witness Willie J. Morgan, and the direct testimony and Exhibits DHC-1 through DHC-14 of ORS witness Douglas H. Carlisle in support of this Settlement Agreement.

12. ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2012). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:

... 'public interest' means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes the agreement reached between the Parties serves the public interest as defined above. The terms of this Settlement Agreement balance the concerns of the using public

while preserving the financial integrity of the Company. ORS also believes the Settlement Agreement promotes economic development within the State of South Carolina. The Parties stipulate and agree to these findings.

13. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair in any way their arguments or positions they may choose to make in future Commission proceedings. If the Commission should decline to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty.

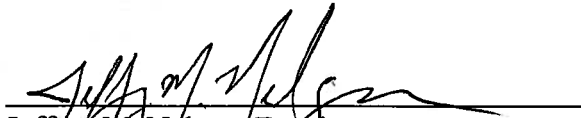
14. This Settlement Agreement shall be interpreted according to South Carolina law.

15. Each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of this Settlement Agreement. Facsimile signatures and email signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

16. The Parties represent that the terms of this Settlement Agreement are based upon full and accurate information known as of the date this Settlement Agreement is executed. If, after execution, either Party is made aware of information that conflicts, nullifies, or is otherwise materially different than that information upon which this Settlement Agreement is based, either Party may withdraw from the Settlement Agreement with written notice to the other Party.

[PARTY SIGNATURES TO FOLLOW ON SEPARATE PAGES]

Representing the South Carolina Office of Regulatory Staff

A handwritten signature in black ink, appearing to read "Jeffrey M. Nelson", is written over a horizontal line.

Jeffrey M. Nelson, Esquire

Florence P. Belser, Esquire

South Carolina Office of Regulatory Staff

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Columbia, South Carolina 29201

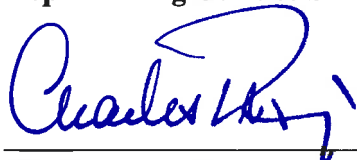
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SCHEDULE OF PROPOSED RATES AND CHARGES

WATER

1. Monthly Charges

Residential (less than 1" meter)

Monthly charge per single-family house,
Condominium, mobile home, or apartment unit:

	<u>Current</u>	<u>USSC Proposed</u>	<u>Settlement</u>
Base Facilities Charge	\$16.53 per unit	\$24.24 per unit	\$19.75 per unit
Commodity Charge	\$5.40 per 1,000 gallons or 134 cft.	\$7.91 per 1,000 gallons or 134 cft.	\$7.02 per 1,000 gallons or 134 cft.

Commercial/Residential (for 1" meter or greater)

Base Facilities Charge by meter size

1" meter	\$44.00 per unit	\$64.52 per unit	\$55.02 per unit
1.5" meter	\$80.00 per unit	\$117.31 per unit	\$101.10 per unit
2" meter	\$130.00 per unit	\$190.63 per unit	\$162.00 per unit
3" meter	\$275.00 per unit	\$403.26 per unit	\$345.02 per unit
4" meter	\$403.02 per unit	\$590.99 per unit	\$504.50 per unit
Commodity Charge	\$5.40 per 1,000 gallons or 134 cft.	\$7.91 per 1,000 gallons or 134 cft.	\$7.02 per 1,000 gallons or 134 cft.

Charge for Water Distribution Only

Where water is purchased from a governmental body or agency or other entity for distribution and resale by the Company, the following rates apply:

Monthly charge per single-family house,
Condominium, mobile home, or apartment unit:

	<u>Current</u>	<u>USSC Proposed</u>	<u>Settlement</u>
Base Facilities Charge	\$16.53 per unit	\$24.24 per unit	\$19.75 per unit
Commodity Charge	\$2.91 per 1,000 gallons or 134 cft.	\$4.26 per 1,000 gallons or 134 cft.	\$3.75 per 1,000 gallons or 134 cft.

Commercial/Residential (for 1" meter or greater)

Base Facilities Charge by meter size

1" meter	\$44.00 per unit	\$64.52 per unit	\$55.02 per unit
1.5" meter	\$80.00 per unit	\$117.31 per unit	\$101.10 per unit
2" meter	\$130.00 per unit	\$190.63 per unit	\$162.00 per unit
3" meter	\$275.00 per unit	\$403.26 per unit	\$345.02 per unit
4" meter	\$403.02 per unit	\$590.99 per unit	\$504.50 per unit
Commodity Charge	\$2.91 per 1,000 gallons or 134 cft.	\$4.26 per 1,000 gallons or 134 cft.	\$3.75 per 1,000 gallons or 134 cft.

The utility will also charge for the cost of water purchased from the bulk water provider. The charges imposed by the bulk water provider will be charged to the Utility's affected customers on a pro rata basis without markup. Where the utility is required by regulatory authority with jurisdiction over the utility to interconnect to the water supply system of a government body or agency or other entity and tap/connection/impact fees are imposed by that entity, such tap/connection/impact fees will also be charged to the utility's affected customers on a pro rata basis, without markup. The utility shall give the Commission thirty days' notice of its intent to pass-through to customers purchased water charges which are higher than those in effect at the time of the Commission's approval of the within rate schedule. The utility shall provide with such notice written documentation of an increase in the amount of purchased water justifying the increase in the amount of the purchased water charges sought to be passed through to affected customers. In the event that an increase in the amount of purchased water charges to be passed through to customers is found by the Commission to be so justified, USSC will then be required to give customers an additional thirty days' notice before the increase in the purchased water charges to be passed through may be put into effect.

Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

When it is impractical to meter each unit separately because of the method of water line installation utilized by the developer or owner, service will be provided through a single meter, and consumption of all units will be averaged; a bill will be calculated based on that average and the result multiplied by the number of units served by a single meter.

For the convenience of the owner, the Utility will bill a tenant in a multi-unit building, consisting of four or more residential units, which is served by a master water meter or a single water connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

2. Non-Recurring Charges

A) Tap Fees	\$500.00 per SFE*
B) Water meter – 5/8 inches x 3/4 meter	\$35.00

All 5/8 inch x 3/4 inch water meters shall meet the Utility's standards and shall be installed by the Utility. A one-time meter fee of \$35 shall be due upon installation for those locations where no 5/8 inch x 3/4 inch meter has been provided by a developer to the Utility.

For the installation of all other meters, the customer shall be billed for the Utility's **actual cost** of installation. All such meters shall meet the Utility's standards and be installed by the Utility unless the Utility directs otherwise.

3. Account Set-Up and Disconnection Charges

a. Customer Account Charge – for new customers only

<u>Current</u>	<u>USSC Proposed</u>	<u>Settlement</u>
\$25.00	\$30.00	\$30.00

b. Disconnection Charges: In addition to any other charges that may be due, in those cases where a customer's service has been disconnected for any reason as set forth in Commission Rule R.103-732.5, and the customer has been found to have vacated his premises or the customer has shown his intent to vacate his premises and the imposition of a reconnection charge is not feasible, a disconnection fee shall be due in the amount of forty dollars (\$40.00) and shall be due prior to the Utility reconnecting service.

c. Tampering Charge: In the event the Utility's equipment, water mains, water lines, meters, curb stops, service lines, valves or other facilities have been damaged or tampered with by a customer, the Utility may charge the customer responsible for the damage the actual cost of repairing the Utility's equipment, not to exceed \$250. The tampering charge shall be paid in full prior to the Utility re-establishing service or continuing the provision of service.

4. Billing Cycle

Recurring charges will be billed monthly in arrears. Nonrecurring charges will be billed and collected in advance of service being provided.

5. Late Payment Charges

Any balance unpaid within twenty-five (25) days of the billing date shall be assessed a late payment charge of one and one-half percent (1 1/2%) for each month, or any part of month, that said payment is late.

6. Extension of Utility Service Lines and Mains

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to connect to its water system. However, anyone or entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to any appropriate connection point, pay the appropriate fees and charges as set forth in this rate schedule, and comply with the guidelines and standards hereof, shall not be denied service unless water supply is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has for any reason restricted the Utility from adding additional customers to the serving water system. In no event will the Utility be required to construct additional water supply capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding water supply capacity to the affected water system.

7. Cross-Connection Inspection

Any customer installing, permitting to be installed, or maintain any cross connection between the Utility's water system and any other non-public water system, sewer or a line from any container of liquids or other substances, must install an approved back-flow prevention device in accordance with 24A S.C. Code Ann. Regs. R.61-58.7.F.2, as may be amended from time to time. Such a customer shall annually have such cross connection inspected by a licensed certified tester and provide to Utility a copy of a written inspection report and testing results submitted by the certified tester in accordance with 24A S.C. Code Ann. Regs. R.61-58.7.F.8, as may be amended from time to time. Said report and results must be provided by the customer to the Utility within 30 days of inspection. If a customer fails to comply with the requirement to perform annual inspections, the Utility may disconnect water service after 30 days' written notice. The Utility shall provide affected customers with an advanced annual notification of such certification requirement.

8. Electronic Billing and Electronic Payment

If requested by the customer in writing and within the capabilities of the utility, the Utility may provide an electronic bill to the customer on the Utility's website, in lieu of mailing a paper copy. The electronic bill shall contain the same content and be presented in the same or a similar format as a bill delivered to the customer pursuant to Commission Rule R. 103-732.2 as may be amended from time to time. Late payment charges will not be triggered until twenty-five (25) days after the Utility issues the electronic bill and it leaves the control of the Utility or its billing agent. The Utility must provide notice to the customer that the bill form is available for review within twenty four hours of its issuance and the web address of its location.

*A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities 25 S.C. Code Ann. Regs. 61-67 Appendix A, as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee. For water service to customers not described in R. 61-67, such as irrigation service, the tap fees shall be the same as those for one (1) SFE.

SCHEDULE OF PROPOSED RATES AND CHARGES

SEWER

1. Monthly Charges

	<u>Current</u>	<u>USSC Proposed</u>	<u>Settlement</u>
<u>Residential</u>			
Monthly charge per single-family house, Condominium, condominium, villa or apartment unit:	\$41.39 per unit	\$65.31 per unit	\$53.55 per unit
Mobile Homes – monthly charge	\$29.74 per unit	\$65.31 per unit	\$53.55 per unit
<u>Commercial</u>			
Monthly charge per single family equivalent*	\$41.39	\$65.31	\$53.55
Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.			
<u>Wikoff Plant</u>	Not applicable	\$547.09	\$856.80

Charge for Sewage Collection Service Only

When sewage is collected by the Utility and transferred to a government body or agency, or other entity for treatment, the Utility's rates are as follows:

<u>Residential</u>			
Monthly charge per single-family house, Condominium, condominium, villa or apartment unit:	\$26.64 per unit	\$42.04 per unit	\$34.44 per unit
<u>Commercial</u>			
Monthly charge per single family equivalent*	\$26.64 per unit	\$42.04 per unit	\$34.44 per unit

The Utility will also charge for treatment services provided by the government body or agency or other entity. The rates imposed or charged by the government body or agency or other entity providing treatment will be charged to the Utility's affected customers on a pro rata basis, without markup. Where the Utility is required under the terms of the 201/208 Plan, or by other regulatory authority with jurisdiction over the Utility, to interconnect to the sewage treatment system of a government body or agency or other entity and tap/connection/impact fees are

imposed by that entity, such tap/connection/impact fees will be charged to the Utility's affected customers on a pro rata basis, without markup. The utility shall give the Commission thirty days' notice of its intent to pass-through to customers treatment charges which are higher than those in effect at the time of the Commission's approval of the within rate schedule. The utility shall provide with such notice written documentation of an increase by the provider of treatment services justifying the increase in the amount of the treatment charges sought to be passed through to affected customers. In the event that an increase in the amount of treatment charges to be passed through to customers is found by the Commission to be so justified, USSC will then be required to give customers an additional thirty days' notice before the increase in the treatment charges to be passed through may be put into effect.

The Utility will, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units, which is served by a master sewer meter or a single sewer connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

Solids Interceptor Tanks

For all customers receiving sewage collection service through an approved solids interceptor tank, the following additional charges shall apply:

A. Pumping Charge

At such time as the Utility determines through its inspection that excessive solids have accumulated at the interceptor tank, the Utility will arrange for pumping the tank, and will include \$150.00 as a separate item in the next regular billing to the customer.

B. Pump Repair or Replacement Charge

If a separate pump is required to transport the customer's sewage from solids interceptor tank to the Utility's sewage collection system, the Utility will arrange to have this pump repaired or replaced as required and will include the cost of such repair or replacement as a separate item in the next regular billing to the customer and may be paid for over a one-year period.

C. Visual Inspection Port

In order for a customer who uses a solids interceptor tank to receive sewage service from the Utility or to continue to receive such service, the customer shall install at the customer's expense a visual inspection port which will allow for observation of the contents of the solids interceptor tank and extraction of test samples therefrom. Failure to provide such visual inspection port after timely notice of not less than thirty (30) days shall be just cause for interruption of service until a visual inspection port has been installed.

2. Non-recurring Charges

A) Tap Fee

\$500 per SFE*

The non-recurring charges listed above are minimum charges and apply even if the equivalency rating of a non-residential customer is less than one (1). If the equivalency rating of a non-residential customer is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for, or at the time connection to the sewer system is requested.

3. Notification, Account Set-Up and Disconnection Charges

- a. Notification fee: A fee of fifteen dollars (\$15.00) shall be charged to each customer per notice to whom the Utility mails the notice as required by Commission Rule R. 103-535.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating the cost.
- b. Customer Account Charge: A fee of thirty dollars (\$30.00) shall be charged as a one-time fee to defray the costs of initiating service. This charge will be waived if the customer is also a water customer.
- c. Disconnection Charges: In addition to any other charges that may be due, in those cases where a customer's service has been disconnected for any reason as set forth in Commission Rule R. 103-532.4, the customer is found to have vacated his premises or the customer has shown his intent to vacate his premises and the imposition of a reconnection charge is not feasible, a disconnection fee in the amount of \$500.00 shall be due at the time the customer disconnects service. Where an elder valve has been previously installed, a disconnection fee of forty dollars (\$40.00) shall be charged.
- d. Tampering Charge: In the event the Utility's equipment, sewage pipes, meters, curb stops, service lines, elder valves or other facilities have been damaged or tampered with by a customer, the Utility may charge the customer responsible for the damage the actual cost of repairing the Utility's equipment, not to exceed \$250. The tampering charge shall be paid in full prior to the Utility re-establishing service or continuing the provision of service.

4. Billing Cycle

Recurring charges will be billed monthly in arrears. Non-recurring charges will be billed and collected in advance of service being provided.

5. Late Payment Charges

Any balance unpaid within twenty-five (25) days of the billing date shall be assessed a late payment charge of one and one-half percent (1½%) for each month, or any part of a month, that said payment is late.

6. Electronic Billing and Electronic Payment

If requested by the customer in writing and within the capabilities of the utility, the Utility may provide an electronic bill to the customer on the Utility's website, in lieu of mailing a paper copy. The electronic bill shall contain the same content and be presented in the same or a similar format as a bill delivered to the customer pursuant to Commission Rule R. 103-532.1 as may be amended from time to time. Late payment charges will not be triggered until twenty-five (25) days after the Utility issues the electronic bill and it leaves the control of the Utility or its billing agent. The Utility must provide notice to the customer that the bill form is available for review within twenty four hours of its issuance and the web address of its location.

7. Toxic and Pretreatment Effluent Guidelines

The utility will not accept or treat any substance or material that has not been defined by the United States Environmental Protection Agency ("EPA") or the South Carolina Department of Health and Environmental Control ("DHEC") as a toxic pollutant, hazardous waste, or hazardous substance, including pollutants falling within the provisions of 40 CFR 129.4 and 401.15. Additionally, pollutants or pollutant properties subject to 40 CFR 403.5 and 403.6 are to be processed according to pretreatment standards applicable to such pollutants or pollutant properties, and such standards constitute the Utility's minimum pretreatment standards. Any person or entity introducing such prohibited or untreated materials into the Company's sewer system may have service interrupted without notice until such discharges cease, and shall be liable to the Utility for all damages and costs, including reasonable attorney's fees, incurred by the Utility as a result thereof.

8. Construction Standards

The Utility requires all construction to be performed in accordance with generally accepted engineering standards, at a minimum. The Utility from time to time may require that more stringent construction standards be followed.

9. Extension of Utility Service Lines and Mains

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to connect to its sewer system. However, anyone or entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to any appropriate connection point, pay the appropriate fees and charges as set forth in this rate schedule, and comply with the guidelines and standards hereof, shall not be denied service unless sewer capacity is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has for any reason restricted the Utility from adding additional customers to the serving sewer system. In no event will the Utility be required to construct additional sewer treatment capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding wastewater treatment capacity to the affected sewer system.

*A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities 25 S.C. Code Ann. Regs. 61-67 Appendix A (Supp. 2006), as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee.

EXHIBIT RJD 2

USSC CONSENT ORDERS AND NOVs



200 Weathersfield Avenue
Altamonte Spring, Florida 32714-4027
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Florida: 800-272-1919
Fax: 407-869-6961
florida@uiwater.com

MEMORANDUM

Date: November 1, 2013

To: Patrick Flynn
CC: Rick Durham

From: Scotty Haws
Subject: USSC NOV & Consent Order list from 2008 to Present

WASTEWATER ENFORCEMENT ACTIONS **Foxwood WWTP ID# SC0027146**

5/5/2008 – NOV Total Phosphorus exceedences
8/28/2008- NOV Fecal coliform exceedences
9/30/2009 – Consent Order#09-039-W – Fecal coliform violations 12/08, 1/09,
Closed 4/24/2012.
2/3/2011- NOV Total Phosphorus avg/mx exceedences
4/19/2012 – Consent Order # 12-015-W – Phosphorus exceedences
8/3/2012 – NOV – Fecal Coliform max hits 5/12, 6/12
3/6/2013 – NOV – Due to non performing pilot study, a Preliminary Engineering
Report (PER) & Permit to construct was due 1/31/13.
10/7/2013 – NOV – BOD exceedence avg & max 8/2013

Shandon WWTP ID # SC0027189

10/25/2010 – NOV – Phosphorus avg exceedence 2/10, Flow avg/max exceedence
2/10, fecal coliform exceedence avg/mx 6/10.
2/3/2011 – NOV – Ammonia avg/max exceedence 10/2010
11/2/2011 – NOV – Phosphorus Avg. exceedence 1,2,3,4, & 7/2010, Flow avg
exceedence 7/2011, 8/2011.
4/19/2010 – Consent Order # 12-014-W – Ammonia, Phosphorus violations
3/5/2013 – NOV – No PER or permit application by 1/30/2013 due to non
performing pilot study.

Country Oaks WWTP ID# SC0039217

8/3/2012 – NOV – Total Copper, Lead, Zinc, Fecal Coliform exceedences

Carowoods WWTP ID# SC0038113

7/30/2009 – NOV – Total Copper avg/max exceedence 2/09, 5/09, Total Zinc max
2/09

10/30/2009 – NOV – Total Copper avg. 8/09
1/10/2012 – NOV - Violation of compliance schedule to upgrade facilities
12/28/2012 – NOV - Copper Exceedence 11/12.

WATER ENFORCEMENT ACTIONS

Charleswood PWS# 4050008

1/12/2011 - Consent Order # 11-005-DW – Rad 226/228 exceedences –
Interconnected with City of Columbia 5/25/2012

Dutchman Acres PWS# 3250028

6/11/2008 – NOV – Rad 226/228 exceedences
8/28/2008 – Consent Order # 08-041-DW – Rad 226/228 exceedences
2/18/2009 – NOV – Rad 226/228 exceedences
6/3/2009 – NOV – Rad 226/228 exceedences
9/17/2009 - NOV – Rad 226/228 exceedences
1/7/2010 – NOV – Rad 226/228 exceedences

Farm Pond PWS# 4650056

2/27/2013 – Secondary MCL exceedence for Fluoride

Foxtrail PWS # 3250038

8/1/2013 - NOV - Total Coliform MCL

Foxwood Water PWS# 4650008

5/4/12 – Consent Order # 12-033-DW – Unsatisfactory maintenance, VOC detects
in all wells.

Hidden Lake PWS# 4650040

2/2009 – NOV – Copper Action Level exceedence Jun – Sept 2008

Indian Cove PWS # 3250020

9/16/2010 – NOV – RAA Gross Alpha Rad exceedence

Lake Village PWS # 3250054

1/28/2008 – NOV – Total Coliform MCL for exceedence Nov 2007

Lesliewoods PWS # 4650051

4/1/2010 - NOV - Lead Action Level exceedence Jun – Sept 2009

Oakridge Hunt Club PWS # 4050019

12/22/2009 – NOV – Copper Action level exceedence Jun – Sept 2008

Purdy Shores PWS # 0150014

1/31/2008 – NOV – Rad 226/228 exceedence (RAA in 2007 and 2008)

Silverlake/Windwood PWS # 4650034

4/1/2009 – NOV – Copper Action Level exceedence Jun – Sept 2008.

Shandon Water PWS# 4650009

12/22/2009 – NOV - Lead Action Level Exceedence Jun – Sept 2009.